

**Internal Revenue Service  
Director, Exempt Organizations**

**Department of the Treasury  
P.O. Box 2508  
Cincinnati, Ohio 45201**

Release Number: **201111020**  
Release Date: 3/18/11  
Date: **12/21/2010**

**Employer Identification**

-  
**Person to Contact - ID#:**

**Contact Telephone Numbers:**

Phone  
Fax

**UIL Number:  
4942.03.07**

**LEGEND**

f = Amount of set-aside  
g = Projected project expenditures through 20  
h = Projected project expenditures through 20  
j = Approximate expenditures to date  
k = Disbursements out of set-aside through December 31, 20  
m = Undisbursed set-aside as of December 31, 20

Dear

This is in response to your letter dated November 23, 2010, requesting a thirty six month extension to pay out a set-aside previously approved under the suitability test of Section 53.4942(g)-3(b)(2) of the Foundation and Similar Excise Tax Regulations.

One of your charitable objectives is to develop internet-based resources that will enable members of the public to obtain a high quality education, free of charge, in an online environment. As an essential first step toward this goal you developed a proposal in 2005 to build a centralized, internet-based courseware library that would make multimedia educational materials available to the public free-of-charge (the Project). The materials would cover the subjects in the standard curriculum for U.S. students from kindergarten through college. Having developed a detailed multi-year plan you submitted a request for approval of a set-aside in the amount of \$f for the year ended December 31, 20. You represented that the set-aside amount would be distributed by December 31, 20. Your set-aside request was approved by our letter dated April 19, 2006.

When you submitted your request for the set-aside, you believed that your online encyclopedia would be the only one of its kind. During the initial developmental phase

of the Project, however, it became apparent that the public's need for centralized repository of multimedia educational content would be satisfied before your online repository could be launched, because other entities had anticipated the same need, and were already beginning to put very similar repositories of content online. These developments were entirely unforeseen.

Not wishing to replicate these content repositories, in 2006 you conducted a comprehensive survey of free online resources, and evaluated the results. Based on this analysis, you determined that the next critical stage along the path to your overall objective of providing free high quality online education to the public would be to catalogue the multimedia courseware amassed by others in a way that would enable members of the public to complete a course of study online and obtain the equivalent of a degree in a chosen discipline. This online course outline would incorporate links to all of the lectures, texts, readings and other elements of content that make up a course of college study.

In 2007 you identified core fields of study and the courseware needed for them, consulting with experts in curriculum development. In 2008 and 2009 you began hiring and training qualified personnel to develop course outlines for the ten most popular disciplines in the U.S. university system. Between the end of 2009 and the present time, the number of contributors working on course outlines and other program materials have increased from more than a dozen to more than 65 working on 170 course outlines. Although you have made substantial progress to date, the launch of the online course is still some time away. Work on the course blueprints will continue through 2011; the process of discovering and pairing content with course blueprints will continue through 2012; and the creation of content required by course outlines where suitable materials are not currently available, will commence in 2012 and could take up to three years to complete. Because the Project must be executed in overlapping phases, it is not susceptible to division into two or more projects covering periods of no more than 60 months each.

The additional technical complexity of the Project has caused the projected cost of completion to be much higher than initially projected. The cost of the Project is now estimated to be at least \$g through 2013 and at least \$h through 2015. To date, you have expended more than \$j on the budget, including \$k of the set-aside funds, and it is now entering into the latter phases of development, which will entail the greatest expense. Project expenditures in the years 2011 through 2013 will be sufficient to satisfy the distributable amounts for 2010 through 2012 as well as pay out the undistributed portion of the set-aside, \$m, by December 31, 2013.

After the planned content repository described in 2005 set-aside request was unexpectedly preempted by other online programs, you were forced to return to the drawing board and reconceptualize the Project. So long as this occupied you, expenditures for the Project were necessarily in suspense, finally commencing only in 2008. This delay ensured that the funds set aside in 2005 will not be exhausted by the end of 2010. A three year extension of the set-aside will ensure that the funds set aside will be expended in their entirety for the Project where they are truly needed, rather than disbursed in whole or in part for purposes which, while charitable, do not help to bring the Project to fruition.

Section 4942(g)(2)(B)(i) of the Code provides requirements for approval of a set-aside for a specific project that will be paid out in 5 years. A foundation must establish that the project is one which can better be accomplished by such set-aside than by the immediate payment of funds. Moreover, a set-aside which satisfies the requirements of section 4942(g)(2)(B)(i) of the Code may have the period to pay the set-aside amount extended if good cause is shown.

Section 53.4942(a)-3(b)(1)(i) of the Foundation and Similar Excise Taxes Regulations provides that an amount set-aside for a specific project may be treated as a qualifying distribution if it satisfies the suitability test, and that if the suitability test is otherwise satisfied, the 60 month period for paying the amount of the set-aside may, for good cause shown, be extended by the Commissioner.

Section 53.4942(a)-3(b)(2) of the Regulations provides that the suitability test for a set-aside is met if the foundation establishes the specific project is one in which relatively long-term grants or expenditures must be made in order to assure the continuity of particular charitable projects or program-related investments.

Section 53.4942(a)-3(b)(7)(i)(e) provides that a statement showing good cause why the period for paying the amount set aside should be extended (including a showing that the proposed project could not be divided into two or more projects covering periods of no more than 60 months each) and setting forth the extension of time required must be provided.

Based on the information submitted, we conclude that you have established good cause to extend the period of time in which to pay out the set-aside of \$f approved on April 19, 2006. Therefore, we approve your request for a thirty-six month extension of time to pay out the remainder of the set-aside amount.

This letter will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed

Notice 437, Notice of Intention to Disclose. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

This letter is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

A copy of this letter has been sent to your representative.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements

Enclosure:  
Notice 437